

Tab A

**Qwest Communications International Inc.,
Consolidated Application for Authority to
Provide In-Region, InterLATA Services in
Colorado, Idaho, Iowa, Montana, Nebraska,
North Dakota, Utah, Washington, and Wyoming**

WC Docket No. 02-314

I. SUMMARY.

1. My name is Edward F. Stemple. Until September 4, 2002, I was employed by Qwest as a Service Representative in the Qwest CLEC Coordination Center ("QCCC"), located in Omaha, Nebraska. My duties included coordinating cuts from end users who had phone service with Qwest (in Nebraska and the other Qwest states) and who were switching their service to CLECs. My duties also included running a mechanized loop test ("MLT") on each line that was to be "cut over" from Qwest to a CLEC. Although my co-workers and I were instructed to run an MLT for each line, during visits in 2002 from the staff of the Federal Communications Commission ("FCC"), Qwest supervisors instructed the service representatives who were to be observed by the FCC to perform the cutover process without performing MLTs. These supervisors instructed my co-workers not to bring up the MLT screen on their computers and not to raise the issue of MLT testing with the visiting FCC staff. My colleagues were also

instructed that, if the visiting FCC staff were to ask whether customer service representatives run MLTs, that they should tell the regulators that Qwest does not run MLTs. These instructions from our Qwest superiors created a lot of "heartburn" for my colleagues and I, because we did not understand why we should be hiding the MLT testing from the FCC. When we confronted our Qwest superiors about this, we were told that if the FCC knew about the MLT testing, they might help CLECs get access to Qwest systems. About a week after the last FCC visit, which took place on or about July 23, 2002, and while I was still employed with Qwest, I reported what had happened at the QCCC in an e-mail to Senator John McCain, who I knew was involved in the investigations of Qwest. I received only a form e-mail reply. I recently decided to contact AT&T, because I believe that Qwest's conduct was wrong and that it should be brought to the attention of regulators.

II. BACKGROUND

2. I graduated from high school in 1974, and later enlisted in the Navy, where I served for five years, including overseas duty in Italy. In the Navy, I received some basic training as an electrician. Over the years, I have enrolled in a variety of coursework at community colleges, completing about 2 years worth of study. Before working at Qwest, I was a partner in a small business, and worked as a customer service representative for Mutual of Omaha Insurance.

3. I began working for U S West in Omaha, Nebraska, on March 16, 1998, as a Sales Consultant. In November 1999, I became a Customer Experience Manager in the Held Order Department. In that department, my responsibilities were to assist customers who did not have a dial tone. In August 2001, after the merger of U S West and Qwest, I moved to the QCCC as a Service Representative. I reported to a "coach," who was responsible for overseeing a number of Service Representatives. I also served as a union steward – one of about 4 or 5 at the QCCC.

My principal duties as a union steward were to assist my co-workers in resolving issues with management. Because of that position, my co-workers often came to me to raise issues that would arise at the QCCC.

III. RESPONSIBILITIES AT THE QCCC RELATING TO MLT

4. My duties at the QCCC included the coordination of cuts for end users who were changing their local service to a CLEC. I would be responsible for overseeing a number of cuts in the course of a day. I would learn of the cuts taking place on a given day, generally within 48 to 72 hours of the cut. The coordination of the cut often required a number of steps, including calls to other divisions within Qwest and to the employees of the CLEC.

5. As part of the responsibilities in coordinating cuts, my co-workers and I were responsible for performing MLTs. We were required to perform the MLT for each line that was cut. Initially, we received very limited training regarding the MLT, and I had only a very limited idea regarding the purpose of the MLT and no idea how to interpret the results of the MLT.

6. To perform the MLT, we entered the phone number of each line involved in a cut into a Qwest system, which then ran the MLT. After a few minutes, the results of the test would appear on a computer screen. There were very many data fields associated with the MLT results, including information like the loop length, voltage measurements, the office equipment numbers, switch type and version codes or error message. Initially, we were instructed simply to cut and paste the test results as an "osslog" note into another Qwest system. My understanding is that the test results were retained and could be accessed by other Qwest employees.

7. Over time, my co-workers and I were required to interpret some of the MLT results, in addition to cutting and pasting them into the "osslog" note. Although we received some additional training about the MLT, the additional responsibilities were often unclear and the process was constantly being changed. For example, at one time, we were required to

examine certain data points, and determine if they fell within certain parameters. If the results were outside the parameters, my co-workers and I were instructed to inform our coaches. At a later time, an additional group of more highly skilled technicians was brought in, and we were instructed to raise issues about the MLT with these employees.

IV. INSTRUCTIONS TO HIDE MLT DURING VISITS FROM REGULATORS

8. Regulators from time to time visited the QCCC. On or about July 23, 2002, regulators that I was told were members of the FCC staff visited the QCCC. I did not become aware of the visit until the day the FCC staff arrived. That day, I was approached, in my role as union steward, by a number of other service representatives. These employees told me that certain employees had been taken into a room and told by Kathie Simpson, who was second in command at the QCCC, that they had been selected to be observed in the performance of their jobs by the visiting FCC staff.

9. However, they were also told that, while the FCC people were sitting in, they were not to pull up the MLT screen or to mention MLT. They were also told that, if the FCC staff asked about MLT, they should say that they did not run them. Although I understand that these directions came from Ms. Simpson, other Qwest executives were also present that day at the QCCC, including Scott Simanson, a Qwest executive from Denver, and Tim Sandos, a Qwest Vice President for the Omaha Region.

10. Needless to say, the instructions that my co-workers received caused a great deal of concern. First, some of my co-workers expressed concern that they could later be subject to discipline if they failed to perform the MLT for the cuts observed by the FCC. Because the MLT was a job requirement, these employees felt that they could later be penalized if they failed to perform the test. Second, everyone was aware at the time about all of the investigations of Qwest, and the employees expressed concern to me and others that hiding this from the FCC was

simply wrong. My own view was that hiding this information from regulators was definitely wrong and was the same type of activity that had gotten Qwest in so much trouble already. Nevertheless, I was informed that my co-workers obeyed Ms. Simpson's instructions regarding MLT, and did not reveal any information about the MLT process to the FCC staff.

11. The FCC visit lasted several hours, and over the course of the visit, concern from those on the floor grew. While the FCC was still there, I approached my manager, Jason Best and told him I thought hiding this from federal regulators was wrong. I then asked him why I shouldn't walk out on the floor and tell the FCC representatives about the instructions my co-workers received regarding the MLT process. He told me that I would be fired if I told the FCC Staff about the MLT and the instructions to conceal it.

12. Employee concern remained high after the FCC visit. Two days after the visit, on July 25, 2002, my co-workers were forwarded an e-mail by Mary Pat Cheshier, who was the head of QCCC. As I interpreted it, this e-mail was the management's way of addressing the service representatives' concerns about the FCC visit. However, the e-mail did not satisfy me, or most of my co-workers. It seemed to confirm that Qwest was trying to hide something from the FCC about the MLT process. Ms. Cheshier's e-mail said that she wanted to "clarify an issue around the MLT testing and our FCC visit." But as Ms. Cheshier explained, Qwest had "made an effort to diminish the visibility to MLT during these visits for the sole purpose of protecting access to our legacy systems." I have attached the July 25, 2002 e-mail to my declaration.


13. I and many of my co-workers were not satisfied with this explanation, and felt that it was simply an effort to "spin" the concealment of information from regulators. In my view, to "diminish the visibility" of the MLT process is simply another way to say that Qwest wanted to hide the existence of the MLTs from the regulators.

14. On August 2, 2002, I decided to take some action with respect to the FCC visit. I was aware that Senator John McCain was involved in questioning various Qwest executives about a variety of alleged wrongdoing. His comments led me to send him an e-mail that set forth what had happened during the FCC visit. However, other than an automated e-mail response, I have not heard from Senator McCain or his staff. I have attached my e-mail to Senator McCain and the automated response from this office.

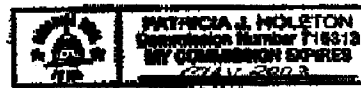
15. On September 4, 2002, I was terminated by Qwest. I recently contacted AT&T because I believed Qwest's conduct was wrong and should be brought to the attention of the regulators.

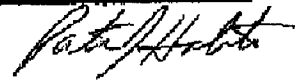
VERIFICATION PAGE

I declare under penalty of perjury that the foregoing Declaration is true and correct.

/s/ 
Edward T. Stemple

Executed on: Oct. 9, 2002





ATTACHMENT 1

(e-mail addresses have been redacted)

Subject: MLT explanation
Date: Thu, 25 Jul 2002 09:46:00 -0500
From: Mary Pat Cheshier [REDACTED]
Organization: U S WEST Communications, Inc
To: Marsha Smith [REDACTED]

Marsha, please fwd to the QCCC organization.

QCCC team,

I would like to clarify an issue around the MLT testing and our FCC visit. We have made an effort to diminish the visibility to MLT during these visits for the sole purpose of protecting access to our legacy systems. Since we started 271 efforts, CLECs have been very vocal about us providing them access into our systems, processes, C O's, data analysis, etc. Some of it we have been mandated to provide as a result of the Telecommunications act and the contracts we have with the CLECs.

We have taken a strong stance that our legacy systems are proprietary and allowing competitors access to them could be detrimental to our business. To date we have been successful in winning this argument.

CLECs have specifically asked for access to MLT. We believe this is a part of our legacy system we want to keep proprietary. As a result we don't want to bring attention to it in front of the FCC as they may have a tendency to respond to CLEC requests in a manner which may be unfavorable to us.

The MLT test is critical to our success in providing quality service to our CLEC customers. The work you do in performing the MLT test is extremely important and the internal process focus and results are highly visible to the Network organization.

Hope this eliminates any confusion.

Mary Pat

ATTACHMENT 2

(e-mail addresses have been redacted)

k977

From: "Senator McCain" <Senator_McCain@mccain.senate.gov>
To: "Swamp Dogg" [REDACTED]
Sent: Thursday, August 01, 2002 10:48 AM
Subject: Re: Recent Telco Hearing on CSPAN

*** Automated Response ***

Dear Friend:

Thank you for taking the time to contact my office. Your views and opinions are important to me.

Due to the high volume of Internet requests that I receive daily, I am unable to provide you with an immediate response. However, if you have included a current mailing address and phone number, you will receive a response by phone or via the U.S. Postal Service. If you did not include a mailing address and would like to receive a response, please feel free to 'reply' to this email, attach a copy of your original message, and be sure to include your postal address and phone number.

I regret any inconvenience that this delay in corresponding may cause. Again, thank you for contacting my office.

Sincerely,

John McCain
U.S. Senator
Website www.senate.gov/~mccain

Reply Separator

Subject: Recent Telco Hearing on CSPAN
Author: Swamp Dogg [REDACTED] at Internet
Date: 08/01/2002 12:48 AM

Dear Senator,

As I watched you ask the "tough" questions of the three Telecom companies on 7 the other day I couldn't help but appreciate your candor. It did not escape me that you weren't buying into to much of what you were hearing from them.

Although I am not one of your Arizona constituents, we do share the same local carrier in Qwest. I work for Qwest at the QCCC (Qwest Clec Coordination Center) in Omaha. I have wrestled with playing the role of whistle-blower for a week now but watching you in that hearing prompts me to see past my next paycheck and

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take this course of action. Undoubtedly it will cost me my job.

On July 23, the FCC came to the QCCC in Omaha. Prior to their arrival, the management in my center removed all visible reference to what we call MLT testing from bannerboards and team checklists that could have been observed by the regulators. There was a small handful of employees selected by management to "sit" with the folks from the FCC. They were herded into a room and informed that when in the presence of the FCC they were not to run or make mention of MLT testing.

As a union steward I got great heartburn over these actions. When I asked my supervisor why I shouldn't just approach the FCC and tell them we were hiding test results I was told in no uncertain terms that I would be fired. I am not sure of the motive the company has for hiding these test results. I do know that it was done quite hastily and has become the "water cooler" conversation on the floor. Many of my union members have concerns about why the union didn't do something. After watching Qwest upper management dance around your questions the other day I decided I should do something. Corroboration of this activity would be a minor matter by simply questioning a handful of frontline employees in the center.

Perhaps members of the FCC can clarify for you what MLT testing is and why hiding it from them would benefit Qwest. It would be strictly conjecture on my part. I have my theories but that is all I have. The larger bone of contention is that my company is already high on the "Don't trust anything they say" list. Qwest's lack of credibility has navigated us to the place we are now. There is no way to put a dollars and cents cost on credibility but I know it has cost many of my friends, co-workers and fellow union members their life savings and in many cases their jobs also. In the QCCC where I work, people have been fired with regard to MLT testing and many people are currently involved in disciplinary actions over the same.

I chose to put this on your plate rather than going to a competitor or the media for several reasons. As a Republican, a Viet Nam era Navy veteran, a union steward and mostly just as a working man, I felt you would decide whether or not this merits any further attention and do so in the best interest of all concerned. Personally I feel it concerns everyone who uses the telephone and the internet and simply believes it's wrong to hide things from the FCC on Tuesday the 23rd then on Tuesday the 30th speak out of the side of your mouth about how you are cooperating fully. I'll find someplace else to work instead.

I read a lot about you after I saw you on CSPAN so I know you are familiar with Captain Howard W. Gilmore. That is the ship I served on in 1974 and 1975 in LaMadelena, Sardinia. Subtender (AS-16). Although I was considered a Vietnam era vet, I was in the Med for two years and served another four years as a Musician in the US Navy Band. I'm hardly a war hero but I served and I'm proud of it. I am an avid historian however and I would leave you with the same final words Howard Gilmore left his crew with....

"Take her down."

9/30/2002

Tab B

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
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Qwest Communications)
International Inc.)
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Consolidated Application for Authority)
To Provide In-Region, InterLATA Services)
in Colorado, Idaho, Iowa, Nebraska, North)
Dakota, Montana, Utah, Washington, and)
Wyoming)

DECLARATION OF WILLIAM W. HOLDER

I. QUALIFICATIONS

1. My name is William W. Holder. I am the Ernst & Young Professor of Accounting at the University of Southern California ("USC"), which I joined in 1979. I teach undergraduate and graduate courses in the Leventhal School of Accounting and the Marshall School of Business at USC. Those courses focus on financial reporting in conformity with generally accepted accounting principles ("GAAP") and auditing.
2. I have written and published extensively on a wide range of financial reporting and auditing topics. My articles have appeared in the *Journal of Accountancy*, *Accounting Review*, *Financial Executive*, *Research in Accounting Regulation* and

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many other academic and professional journals, research monographs and books. I have received the Robert Emmet Knox Education Achievement Award, by the California Society of CPAs and the Distinguished Service Award, California Society of CPAs. I have lectured extensively to the American Institute of Certified Public Accountants, the American Accounting Association, the National Judicial College, the Federal Judicial Center and many others. In May 2002, I provided invited testimony before the Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises of the Committee on Financial Services of the United States Congress as they deliberated legislative action in response to widely publicized accounting and auditing failures, and I have recently delivered lectures on Corporate Governance and the implications of the recently enacted Sarbanes/Oxley Bill.

3. I have served on a number of standard setting authorities of the accounting profession including the Accounting Standards Executive Committee and the Governmental Accounting Standards Board. Those groups set authoritative accounting and financial reporting standards for commercial and governmental entities within the United States. I have also served as a member of the board of directors of the American Institute of CPAs.
4. I have consulted extensively in a number of capacities including testifying in numerous state and federal trials. Certain of those engagements have centered on financial accounting, reporting and auditing matters related to wireless telephony issues similar to those in this matter. A more complete resume is provided as Exhibit 1 to this declaration.

II. PURPOSE OF DECLARATION AND SUMMARY OF CONCLUSIONS

5. The purpose of my declaration is to examine, from the perspective of an accounting professional, Qwest's revised application to provide interLATA Services in Colorado, Idaho, Iowa, Nebraska, North Dakota, Montana, Utah, Washington, and Wyoming in light of the accounting obligations imposed by 47 U.S.C. § 272. Generally speaking, that statute requires Qwest to provide in-region, long distance services through an affiliate that is structurally separate from Qwest's Bell operating company ("BOC"). My testimony is focused on the provisions of § 272 that impose accounting obligations on both the separate affiliate and the BOC. In particular, I address Qwest's compliance with § 272(b)(2), which, as implemented by the Commission, requires that the affiliate establish separate books, records, and accounts maintained in conformity with GAAP, § 272(c)(2), which, as implemented by the Commission, requires that transactions between the BOC and the separate affiliate be accounted for in accordance with GAAP, and § 272(b)(5), which requires that transactions between the BOC and the separate affiliate be at "arm's length."
6. I have based my declaration on relevant portions of the authoritative literature of the accounting profession, including that of the U.S. Securities and Exchange Commission ("SEC"), and the relevant knowledge and experience gained during my career. I have also reviewed the comments and declarations filed by Qwest in this proceeding pertaining to compliance with § 272, as well as the filings made by both AT&T and Qwest in connection with Qwest's previous in-region long distance applications. In addition, I have examined Qwest's filings with the SEC pertaining

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to Qwest's various investigation into its accounting policies and controls, as well as publicly available news accounts regarding those investigations into Qwest's accounting practices. Finally, I have read and considered the relevant statutory provisions and the Commission orders that have implemented those provisions.

7. Based on the work I have performed, I conclude that Qwest does not satisfy either § 272(b)(2) or § 272(c)(2) at this time. Qwest acknowledges that currently it cannot certify that its books, records, accounts and related financial statements comply with GAAP. Nonetheless, it contends that "going-forward" its long distance affiliate, QLDC, and QC, its BOC, will in relevant respects comply with GAAP. The information Qwest provides consists almost exclusively of unsworn representations of expected future capability and conduct made by Qwest's attorneys.
8. The authoritative accounting and auditing standards recognize that such claims are insufficient to establish a reasonable basis for reliance. Further, the statements made in Qwest's filing are contrary to *sworn* statements made by Qwest to the SEC. These statements, which were made under the penalty of the federal securities laws, make clear that Qwest's accounting policies in general are under review, that the investigations are ongoing and incomplete, that the problems are pervasive, and that additional problems beyond those disclosed to date may be identified in the ongoing investigations. A recent Qwest Form 8-K filed with the SEC aptly summarizes the nature of Qwest's problems and their impact:

KPMG has informed us that due to the identification of the adjustments that we believe we are required to make in our financial statements, the ongoing analyses by us and KPMG of our accounting policies and practices, analyses of our internal controls

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and the inability of our chief executive officer and chief financial officer to [certify Qwest's financial statements as accurate], KPMG is not able to complete, as of the date of this Current Report on Form 8-K, all the procedures necessary to finalize its review of the financial statements to be included in the second quarter of 2002 report on Form 10-Q required by the regulations under the federal securities laws.¹

9. Given this, Qwest's assertion in its supplemental brief that QLDC is somehow immune from these problems is not, in my professional view, reasonable. Qwest does not claim that it employs different accounting policies or controls for QLDC or for QC when it conducts business with QLDC (and it is unlikely that Qwest could have created and implemented and adequately tested separate policies and controls in the few weeks in which QLDC has been conceived and established). Thus, to the extent Qwest has acknowledged under the penalty of the federal securities laws that it does not yet know the full extent of its accounting problems, and where it is clear that those problems are severe and systemic, there is simply no basis for concluding that QLDC's books would be kept in conformity with GAAP, or that transactions between QLDC and QC are (or will be) recorded in conformity with GAAP.
10. Even if Qwest had proper accounting policies in place, that fact alone would not provide adequate assurance of its ability to comply with GAAP. It is well recognized in the profession that sufficient accounting controls need to be in place and operating effectively (*i.e.*, the policies must be applied and followed consistently) to be confident that the books, records and accounts are kept in the appropriate manner to support the preparation of the related financial statements in

¹ Qwest August 19, 2002 8-K at 5.

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conformity with GAAP. Here, the evidence is clear that Qwest's existing controls are inadequate and that new controls need to be developed, put into operation, tested and evaluated. Again, until this is accomplished, there can be little assurance that QLDC's books, records and accounts and related financial statements will comply with GAAP or that QC will record its transactions with QLDC in a manner that complies with GAAP.

11. I also conclude that Qwest cannot presently satisfy § 272(b)(5). As noted, that provision requires that the sale of services from QC to QLDC be consummated in accordance with “arm’s-length” terms. **[PROPRIETARY BEGIN]** *****

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[PROPRIETARY END]

III. ANALYSIS OF ACCOUNTING AND FINANCIAL REPORTING ISSUES

A. Section 272(b)(2) And Section 272(c)(2)

12. The accounting matters at issue in this proceeding are relatively simple. The Qwest family of companies is under investigation for mis-stated financial statements and

related flawed accounting policies and practices and inadequate controls. Qwest asserts, however, that whatever accounting problems it has, those infirmities do not infect QLDC's books, or QC's books to the extent it transacts with QLDC. Notably, however, no audit or even lesser investigation is offered in support of these claims. Instead, Qwest, through its attorneys, argues in its application that: 1) QLDC is a "new" company and, therefore, its "books, records, and accounts" are not impacted by "past accounting irregularities"; and 2) Qwest has put in place new management committed to correcting Qwest's accounting policies and ensuring compliance with GAAP.²

13. In my view, these assertions are insufficient to support any reasoned agency decision that Qwest will, if granted in-region long distance authority, be able to comply with the accounting provisions of § 272. I understand that the Commission has held that "past and present behavior of the BOC applicant [is] the best indicator" as to whether the BOC will comply with § 272.³ This is fully consistent with basic positions taken by other accounting regulators. For example, the SEC generally requires a company to provide audited operating results before allowing the company to register its securities and access the U. S. capital markets (*i.e.*, go public). Other regulators that also require audited financial statements do not rely on financial statements supported only by the representations of management that the financial statements are presented fairly in conformity with GAAP. For

² See Qwest III Application at 11-12.

³ *Michigan 271 Order*, 12 FCC Rcd. 20543, ¶ 347 (1997).

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example, the U. S. Department of Labor and the Internal Revenue Service generally require audits of the financial statements of pension plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Similarly, the Single Audit Act of 1984 requires financial statement audits that are even more extensive than those performed in accordance with GAAS for recipients of significant Federal financial assistance. In sum, nothing can substitute for an audited track record of proven performance in being capable of providing information presented in conformity with GAAP.

14. The limited assurance provided by management representations is also illustrated in the authoritative auditing literature. That literature recognizes that management representations do not provide sufficient competent evidence to support a professional opinion that financial statements are presented fairly in conformity with GAAP. Specifically, it states: "[s]uch representations from management are part of the evidential matter the independent auditor obtains, but they are not a substitute for the application of those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements"⁴ Thus, the most authoritative auditing standard setter recognizes that management representations are an insufficient basis to support a certified public accountant's professional opinion that financial statements are presented in conformity with GAAP.

⁴ American Institute of Certified Public Accountants ("AICPA"), Professional Standards, Vol. I, AU § 333.02.

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15. When the positions of the SEC and other federal regulatory agencies are considered in conjunction with the position of the accounting profession, it is clear that a proven track record of acceptable financial reporting in conformity with GAAP is required before companies are allowed to gain access to the capital markets of the U.S. and that management representations are generally not considered sufficient to support reliance on financial statements in most high stakes situations. It is difficult to conceive of a reason why the Federal Communications Commission would be satisfied with *no* track record of accounting compliance in enforcing a safeguard intended to protect the public interest and competition.
16. Moreover, there are particularly strong reasons for not accepting Qwest's representations regarding QC's and QLDC's accounting policies and procedures. The available evidence contradicts the claims made by Qwest in its supplemental brief. Rather, the evidence shows that until Qwest finishes its investigation, puts new policies in place, and establishes and tests adequate controls, there can be no reasonable assurance that QLDC and QC will be able to produce financial information that complies with GAAP going-forward.
17. In this regard, it is of considerable significance that Qwest's accounting policies themselves, and not the mere application of those policies, that are under review.⁵
- Qwest does not claim that it has established and implemented new accounting

⁵ See, e.g., August 16, 2002 Qwest 8-K at 5,6, 9-10 ("KPMG has been analyzing the company's financial information and has provided input regarding its preliminary views on certain Qwest accounting policies, practices and procedures. Those views have been, and are continuing to be, considered as part of the company's internal analysis. KPMG has not completed its analysis.").

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policies for QLDC that are different than those used by QC, QCC and the rest of the Qwest corporate family and that are known to be flawed. Qwest's problems, therefore, cannot be considered to be limited to just QCC's accounting. Indeed, Qwest has acknowledged that QC's financial statements and books (as well of those of its parent, QCII) cannot be certified as GAAP-compliant.⁶

18. These problems go well beyond Qwest's policies regarding the sales of IRUs. Indeed, Qwest has announced new policies to deal with the restatement of optical capacity asset swaps and appears to have put in place new accounting policies for optical capacity sales.⁷ Yet, despite having come to grips with these problems, Qwest is still unable to claim that it has identified the full extent of its accounting problems and overcome them. To the contrary, in announcing that it would restate its earnings to reflect the proper treatment of optical capacity swaps, Qwest frankly acknowledged that "in addition" it was "continuing to analyze certain accounting policies and procedures with respect to other transactions," that the investigation is "ongoing," and that it could not "state with certainty when a restatement would be completed."⁸

19. The systemic and pervasive nature of Qwest's accounting problems is confirmed by other published reports. That is, they involve multiple financial accounting and

⁶ See *Ex Parte* Letter from Oren Shaffer to Marlene Dortch, WC Docket Nos. 02-148, 02-189 (August 20, 2002).

⁷ Qwest September 22, 2002 8-K at 5-6.

⁸ *Id.* at 7.

reporting issues and individuals. For example, recent hearings held before Congress elicited information indicating that Qwest sales employees had entered into secret side deals in connection with Qwest's IRU sales.⁹ Likewise, reports suggest that certain transactions with outside entities were conducted to achieve short-term financial reporting goals rather than for sound operating purposes.¹⁰ In short, Qwest's problems are not simply the result of the failure of a few former employees to follow proper procedures in a handful of areas, but the result of numerous flawed accounting policies and numerous employees at many levels of the company violating basic accounting safeguards.

20. I also conclude that the assertion in Qwest's supplemental brief that Qwest's accounting problems do not impact QLDC or the QLDC-QC transactions are not reliable because they are inconsistent with the sworn statements made by Mr. Shaffer and Mr. Notebaert. In their August 16, 2002 submissions to the SEC, these Qwest officers stressed that the full extent of Qwest's problems was not known. According to Messrs. Notebaert and Shaffer, the investigation into Qwest's accounting practices is at a "preliminary" stage and far from "complete."¹¹ They

⁹ For examples, see: The Wall Street Journal, September 19, 2002, p. B8; The Orange County Register, September 19, 2002, p. Business 10; the Los Angeles Times, September 25, 2002, p. C11; The Wall Street Journal, September 24, 2002, p. B3.

¹⁰ For examples, see: The Los Angeles Times, September 19, 2002, p. C1; The Los Angeles Times, September 20, 2002, p. C1 and C10.

¹¹ August 16, 2002 Qwest 8-K at 5,6, 9-10 ("KPMG has been analyzing the company's financial information and has provided input regarding its preliminary views on certain Qwest accounting policies, practices and procedures. Those views have been, and are continuing to be, considered as part of the company's internal analysis. KPMG has not completed its analysis.").

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also acknowledge that “new issues may be raised by the company’s internal analyses, or by KPMG.”¹² And, consistent with Qwest’s other securities filings, Messrs. Notebaert and Shaffer are unable to state when the existing review will be concluded.¹³ Given that Qwest’s senior officials are on record stating that the full extent of Qwest’s problems are not known, in my view there is an insufficient basis for Qwest to claim to this Commission that QLDC’s books and QLDC-QC transactions have not been and will not be affected by Qwest’s accounting problems.

21. The completion of Qwest’s internal investigations, however, is only one of several necessary steps that Qwest must take before it can provide reasonable assurance to the Commission that it can satisfy the Commission’s GAAP accounting requirements. Accounting policies are not self-executing. They only function as well as do the people implementing them. Even perfect accounting policies will not result in appropriately maintained books and records unless those policies are followed by Qwest’s sales, accounting and other personnel.

¹² *Id.* at 6, 11; *see also id.* at 5-6, 10-11 (“The internal analyses are not complete. I believe that the internal analyses, now being directed by new management and being informed by the views of new auditors, will result in a conclusion that the restatement of financial information and that the amendment of prior filed reports, including covered reports, will be necessary. Subsequent to the date of this statement under oath, new issues may be raised by the company’s internal analyses, or by KPMG.”). *See also id.* at 6, 11 August 8, 2002 Qwest 8-K at 1 (“The company is consulting with its new external auditors, KPMG LLP, on the scope of a restatement and what adjustments would be required. Until such time as these efforts have been concluded, the company cannot indicate the extent to which the results for 2000-2002 will be impacted.”).

¹³ August 16, 2002 Qwest 8-K at 6, 10; *see also* August 19, 2002 Qwest 8-K at 2.

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22. Thus, before any company such as Qwest can reasonably assert that its books are kept in a manner that facilitates the preparation of financial statements in conformity with GAAP, it must also have in place *effective accounting controls* that are designed to assure that its accounting policies and practices are followed. Briefly, a company's internal control is defined in the following manner. Internal control is:

A process – effected by an entity's board of directors, management and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting . . . and (c) compliance with applicable laws and regulations. Internal control consists of five interrelated components, which are:

Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

Risk Assessment is the entity's identification and analysis of relevant risks to achievements of its objectives, forming a basis for determining how the risks should be managed.

Control Activities are the policies and procedures that help ensure that management directives are carried out.

Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.

Monitoring is a process that assesses the quality of internal performance over time.¹⁴

¹⁴ AICPA, AU § 319.06.

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23. The process of designing, developing, installing, testing, operating and evaluating internal accounting controls for a company such as Qwest is extensive and time consuming. The volume and complexity of transactions, and the extent of information to be captured and processed in a reliable manner that facilitates the preparation of financial statements in conformity with GAAP, require planning, construction, testing, implementation and evaluation. Further, it is generally recognized that senior management sets the "tone at the top" and that it requires time to affect and change a "corporate culture." Each of these factors suggests that the controls necessary for a company such as Qwest are complex and require time to develop, install and evaluate before confidence in them is warranted.
24. Qwest has acknowledged that its existing controls are inadequate. In his August 16 letter to the SEC, Mr. Shaffer has candidly acknowledged that "the company needs to enhance certain internal controls."¹⁵ The review of Qwest's internal controls, however, like its accounting practices generally, is still underway and no specific recommendations have been developed.¹⁶
25. Further, given the pervasive scope of Qwest's accounting irregularities, there can be no reasonable assurance that the new controls will result in information presented in conformity with GAAP until they are tested. The authoritative literature of the accounting profession generally provides that any significant reliance on internal controls requires that those controls be tested. Specifically, a financial statement

¹⁵ August 16, 2002 Qwest 8-K at 12.

¹⁶ *Id.* at 10.

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auditor cannot assess control risk at less than the maximum unless tests of controls have been applied and the controls have been found to be operating effectively throughout the period which the financial statements pertain. Assessing control risk at the maximum control risk means that very little, if any, reliance can be placed on controls to record, process, summarize, and report financial information in conformity with GAAP.¹⁷

26. In this regard, I note that in its prior filing, Qwest acknowledged how difficult it is to resolve affiliate transaction accounting problems. Specifically, Qwest acknowledged a breakdown of its accounting controls in 2000 that resulted in the failure of QC to record properly transactions with QCC.¹⁸ According to Qwest, fixing this problem proved “difficult[.]”¹⁹ Ultimately, Qwest was forced to hire Arthur Andersen as temporary staff, and conduct over 140 interviews until the problems were rectified.²⁰
27. Finally, I address the Qwest reference to a KPMG report in a prior Commission filing that asserts that a review performed by KPMG on a limited number of transactions provides “compelling evidence that that all such transactions in this

¹⁷ AICPA, AU §§ 319.58 - .78 and 325.042.

¹⁸ Qwest I Schwartz Dec. ¶ 44.

¹⁹ *Id.*

²⁰ *Id.*

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case were GAAP-compliant.”²¹ I disagree. The scope of work performed by KPMG was limited to a “review” engagement. According to the authoritative professional literature, review engagements are substantially less in scope than examinations or audits and, as such, are designed to provide only “limited assurance” rather than positive generalized assurance supported by a professional opinion. Review engagements are generally composed of obtaining management representations without verification and applying certain analytical procedures to information provided by management. Analytical procedures evaluate the reasonableness of relationships among information and, like management representations, are generally considered insufficient evidence to support the professional opinion of a certified public accountant. Further, review engagements do not extend to evaluating the quality of an entity’s internal accounting control structure nor do they involve obtaining detailed substantive evidence to support the assertions being made by management. As such, the assurance provided by reports on review engagements is not based on persuasive evidential matter, but is limited to relying on management representations and to assessing the reasonableness of certain analytical relationships. In accordance with the professional literature, KPMG (appropriately) notes the limited nature of their engagement and limits the assurance they provide in a manner that complies with the relevant authoritative literature.²² In my opinion, therefore, I believe it is misleading for Qwest to

²¹ Qwest Supplemental Comments of § 272 Compliance at 4. I also note that this document would be on its face inapplicable here because it concerns QC-QCC transactions, not QC-QLDC transactions.

²² AICPA, AR § 100.04 and AT §100.51-.52 and 56-.58

characterize the evidence provided by a report on such an engagement as “compelling evidence.”

28. Finally, the professional literature provides that independent accountants should not accept an engagement to perform a review engagement to provide even limited assurance of management assertions about *internal controls*.²³ Accordingly, the assurance provided by KPMG provides no evidence about the quality of Qwest’s internal accounting control. Indeed, the limited assurance that is expressed is based on management representations and analytical procedures rather than through the gathering and consideration of “sufficient competent evidential matter” that would be required in audit or examination engagements designed to provide reasonable assurance of the matters to which they related.²⁴ In my view, the professional prohibition on a review report on internal control is based on the position that such a report could be misunderstood as to the level of assurance provided.

B. Section 272(b)(5).

29. As noted, the § 272 structural separation safeguards require that transactions between QLDC and QC be conducted and accounted for at “arm’s-length.” See 47 U.S.C. § 272(b)(5). **[PROPRIETARY BEGIN]** *****

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²³ AICPA, AT § 400.06.

²⁴ AICPA, AU § 150.02 and AT § 101.51-.58

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***** [PROPRIETARY END]

VERIFICATION

I, William W. Holder declare under penalty of perjury that the foregoing is true and correct. Executed on October 14, 2002.

William W. Holder

[NAME]

Attachment 1

VITAE

William Wallace Holder

I. General Information

A. Personal Data

1. Home Address:
409 North Star Lane
Newport Beach, CA 92660-5717
Phone: (949) 642-9634
Fax: (949) 642-9664
Date of Birth: 7- 2- 45
2. Business Address:
University of Southern California
Leventhal School of Accounting
Los Angeles, California 90089-0441
Phone: (213) 740-4855
Fax: (213) 747-2815

B. Academic and Professional Preparation

1. Formal Education
 - a. University of Oklahoma, Doctor of Business Administration, 1974. Major - Accounting, Minors - Economics and Management. Dissertation Title - "The Impact of Third Party Reimbursement upon Capital Budgeting Decisions of Hospitals."
 - b. University of Oklahoma, Master of Accountancy, 1972.
 - c. Oklahoma State University, Bachelor of Science Accounting, 1969.
2. Professional Certificates
 - a. Certified Public Accountant, Oklahoma and California.

C. Professional Experience

1. Academic

- a. University of Southern California, appointed 1979; current position: Ernst & Young Professor.
- b. Accounting Circle Professor, University of Southern California, 1988 to 1990.
- c. Associate Professor, Texas Tech University, 1977 to 1979.
- d. Assistant Professor, Texas Tech University, 1974 to 1977.
- e. Visiting Associate Professor, University of Tennessee, Summer, 1978.
- f. Special Instructor, University of Oklahoma, 1970 to 1974.

2. Professional (compensated)

Member, Governmental Accounting Standards Board, effective July 1, 2000.

3. Administrative

Director, SEC and Financial Reporting Institute
University of Southern California, 1994 - present

Director, Master of Accounting Program
University of Southern California, 1983 to 1988

4. Other

- a. Head of Accounting Services, 1969-1970, Oklahoma State University, Stillwater, Oklahoma.
- b. Independent Certified Public Accountant, 1971 to 1975.
- c. Faculty Resident, Peat, Marwick, Mitchell & Co. 1976.
- d. Faculty Fellow, Price Waterhouse, 1980.
- e. Faculty Fellow, Coopers & Lybrand, 1988.
- f. Many individual consulting assignments with various public accounting firms, municipalities, industries and in litigation support.

II. Teaching Effectiveness

A. Dissertation Committees

1. Chairman, Dissertation Committee of Salih Jadallah. Title, "Operational Auditing of Governmental Units in Saudi Arabia."
2. Member, Dissertation Committee of John Klover. Title, "Physician's Attitudes Toward Collective Bargaining."
3. Member, Dissertation Committee of Robert W. Ingram. Title, "Social Disclosures and Security Returns."
4. Member, Dissertation Committee of Mary Akpovi. Title, "An Analysis of the Nigerian Economy Within the Framework of the Wedge Model."
5. Member, Dissertation Committee of Avelina Delea. Title, "Effectiveness of Governmental Audit Functions."

B. Awards

1. Twice selected by Accounting Today as one of the 100 most influential people in the accounting profession, 2001 and 2002.
2. Selected to receive the 1998-1999 Distinguished Service Award of the California Society of CPA's.
3. Selected in 1997 by the California Society of CPA's as first recipient of the Robert Emmet Knox Education Achievement Award, designed to recognize outstanding activities during the recipient's lifetime which have had a significant impact on future members of the profession.
4. Selected in 1993 as Best Professor by the University of Southern California School of Accounting Master of Accounting Graduate students.
5. Selected in 1990 as Best Professor by University of Southern California School of Accounting Student Liaison Board in the initial presentation of this award.
6. Selected in 1988 to receive the annual Outstanding Discussion Leader Award by the American Institute of CPAs.
7. Selected in 1988 to receive the annual Faculty Merit Award from the Federation of Schools of Accountancy. This award is made annually to an individual "... for outstanding contributions in curriculum and program development, teaching, research and professional service."
8. Selected in 1988 to receive the California Society of CPA, Education Division Award for Instructor Excellence. This award is made annually to individuals "... in recognition of a consistent record of excellence . . ."

9. Selected in 1987 to receive the California Society of CPA, Faculty Excellence Award. This award is made annually to an accounting educator in California in recognition of ". . . exceptional achievements as a contemporary leader in accounting education."
10. Selected during the spring of 1980 to receive the Outstanding Service Award in the School of Accounting at the University of Southern California. The award is made annually by Beta Alpha Psi, the national accounting honorary fraternity.
11. Selected during the fall of 1979 as one of the "Top 20" professors within the College of Business Administration at the University of Southern California. The selection was based upon student evaluations and was part of a program of teaching effectiveness recognition.
12. Selected during 1978 to receive an Outstanding Teaching Award as one of five professors at Texas Tech University in the Mortar Board program of recognizing excellence in teaching. I was nominated by BA Council, a College of Business student organization, and Beta Alpha Psi for this award.

III. Research and Publication

A. Works Published

1. Books

Guide to Audits of Local Governments, IV Vols. (Fort Worth, Texas: Practitioners Publishing Company (a subsidiary of Warren, Gorham, and Lamont, 2002) (with Doug Carmichael).

Intermediate Accounting (San Diego: Harcourt, Brace, Jovanovich, 1998 (supplemental printing, 5th edition) (with Jan R. Williams and Keith Stanga), pp. 1328.

"Local Government Accounting," Management Policies in Local Government Finance (4th ed.) (Washington, D.C.: International City Management Association, 1994) pp. 158-175.

"Future Developments in Governmental Accounting and Reporting," Handbook of Governmental Accounting and Finance (New York, New York: John Wiley & Sons, 1988) pp. 5.259-5.268.

The CPA Examination: A Complete Review, Vols. I, and II (New York: Houghton, Mifflin & Co., 1986), 7th ed. (with J. Owen Cherrington, et al.).

"Cost Accounting and Analysis in State and Local Governments," The Managerial and Cost Accountants Handbook (Homewood, Illinois: Dow Jones-Irwin, 1979), pp. 794-839 (with Robert J. Freeman and Harold Hensold, Jr.).

2. Journal Articles

"What Foreign Filers Need To Know," Financial Executive (New Jersey: Financial Executives International, May, 2001), pp. 22-24 (with Jerry Arnold and Joseph W. Duggan).

"Pencils Down, Computers Up—The New CPA Exam," Journal of Accountancy (New York: American Institute of Certified Public Accountants, March, 2001), pp. 57-60 (with Craig Mills)

"Disclosure of Measurement Uncertainties: Guide to a Financial Reporting Evolution in Progress," Journal of Accountancy (New York: American Institute of Certified Public Accountants, December, 1998), pp. 99-105 (with Jerry L. Arnold).

"The SEC's Audit Requirements for Companies Acquired and Equity Investees," Research in Accounting Regulation (Greenwich, CN: JAI Press Inc., Vol II, 1997) pp. 145-157 (with Jerry Arnold).

"Changes in Accounting Education at the University of Southern California;" Accounting and Finance (Mayville, South Africa: Butterworth Publishers, Ltd., August 1997) pp. 11-14.

"Liability Considerations in Deciding to Serve Not-For-Profit Organizations," Outlook (Redwood City, CA: California Society of CPAs, 1996) pp. 32.

"Special committee of Financial Reporting: Initial Report," CPA Journal, (New York: New York State Society of CPAs, 1992), pp. 8-10.

"Compliance Auditing: The Changing State of the Art," The CPA Journal (New York: The New York State Society of CPAs, September 1989), pp. 28-40 (with John R. Miller).

"The SEC and Fraudulent Financial Reporting", Research in Accounting Regulation (Greenwich, CT: JAI Press, Vol. 2, September 1988) pp. 167-188 (with Karen Pincus and Ted Mock).

"The Not-For-Profit Financial Reporting Entity: An Exploratory Study of Current Practice" Financial Accountability and Management (Oxford, England: Basil Blackwell, Ltd., pp. 311-330, Winter 1987).

"Problems of Income Determination for Service Industries," The CPA Journal (New York: The New York State Society of CPAs, pp. 54-63, October 1986) (with Carolyn S. Holder).

"A New Look in Governmental Audits," Journal of Accountancy (New York: American Institute of Certified Public Accountants, pp. 82-88, April 1986) (with Gerald W. Hepp).

"Educational Requirements for Public Accounting," The CPA Journal (New York: New York State Society of Certified Public Accountants, pp. 36-48, December 1985) (with E. John Larsen and Doyle Z. Williams).

"The Use of Analytical Procedures in Review and Audit Engagements," Auditing: A Journal of Theory and Practice (Sarasota, FL: American Accounting Association, pp. 80-92, Spring 1985) (with Frank Daroca).

"Increasing Professionalism and the Governmental Finance Officer," The Bottom Line (Piscataway, New Jersey: Municipal Finance Officer of New Jersey, pp. 42, 43 Fall 1984) (with Carolyn S. Holder).

"The Auditor's Involvement with Additional Information," Corporate Accounting (New York: Warren, Gorham and Lamont, pp. 72-79, Summer 1984) with Dan Guy and Carolyn S. Holder.

"Expenditure and Liability Recognition in Government," Journal of Accountancy (New York: American Institute of Certified Public Accountants, pp. 74-84, September 1983).

"Analytical Review Procedures in Planning the Audit: An Application Study," Auditing: A Journal of Theory and Practice (Sarasota, FL: American Accounting Association, pp. 100-107, Spring 1983) (Funded by Deloitte Haskins & Sells).

"A Laboratory for Establishing Financial Accounting and Reporting Standards," Management Accounting (New York: National Association of Accountants, pp. 52-54, March 1983) (with Jerry Arnold and Jan Williams).

"Cost Accounting in Local Government: An Idea Whose Time Has Come," Management Focus (New York: Peat, Marwick, Mitchell & Co., pp. 28-29, May-June 1982) (with Jay Fountain).

"A Framework for Building an Accounting Constitution," Journal of Accounting, Auditing, and Finance (New York: Ross Institute of New York University, pp. 110-125, Winter 1982) (with Kimberly Ham) (funded by USC).

"Financial Reporting by Nonbusiness Organizations: A New Perspective," The National Public Accountant (Alexandria, Virginia: National Society of Public Accountants, January 1982), pp. 27-31 (with Peter Griffith).

"Financial Reporting for Museums: Current Status and Proposed Changes," The Curator (New York: American Museum of Natural History, Fall 1981), pp. 29-39 (with Nicholas Apostolou, University of Tennessee).

"Financial Reporting by Government; A Suggested Approach," The Government Accountants Journal (Arlington, Virginia: Association of Government Accountants, Summer 1981), pp. 14-233 (with Alan A. Cherry, Assistant Professor, University of Southern California).

"Analytical Review Procedures: New Relevance," The CPA Journal (New York: New York State Society of Certified Public Accountants, November 1980), pp. 29-35 (with Sheryl Collmer, Peat, Marwick, Mitchell & Co.).

"International Reporting Aspects of Segment Disclosure," The International Journal of Accounting (Champaign-Urbana, Illinois: The University of Illinois, Fall 1980), pp. 125-135 (with Jerry Arnold and M. Herschal Mann).

"Troubled Debt Accounting: A New Relevance," The Louisiana CPA (Metairie, Louisiana: The Society of Louisiana CPAs, Summer-Fall 1980), pp. 7-10 (with Sheryl Collmer).

"The Regulation of Capital Improvements in Health Care Institutions," CPA Quarterly (Palo Alto, California: California Society of CPAs, June 1980), pp. 31-35 (with W. Karen Kushner).

"Criteria for Internal Auditing," Hospital Progress (St. Louis, Missouri: The Catholic Hospital Association, January 1979), pp. 50-64 (with Raymond J. Clay).

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"Governmental Accounting Concepts Study," Governmental Finance (Chicago, Illinois: Municipal Finance Officers Association, November 1978), pp. 30-31.

Capital Improvements Regulation in Health Care Institutions," Texas CPA (Dallas, Texas: Texas Society of CPAs, August 1978), pp. 9-12 (with Larry W. Anderson).

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"The Evaluation of Internal Control: A Suggested Approach," Hospital Financial Management (Chicago, Illinois: Hospital Financial Management Association, July 1978), pp. 9-12.

"Reporting the Results of Operations," The CPA Journal (New York, New York: New York State Society of Certified Public Accountants, April 1978), pp. 78-80 (with M. Herschel Mann and Thomas A. Ratcliffe).

"Hospital Budgeting: State of the Art," Hospital and Health Services Administration (Chicago, Illinois: The American College of Hospital Administrators, Spring 1978), pp. 51-59.

"The Role of the Internal Auditor in Responding to Crises in Local Government," The Internal Auditor (Altamonte Springs, Florida: The Institute of Internal Auditors, December 1977), pp. 71-81.

"Unasserted Claims: Accounting Measurement & Disclosure," The CPA Journal (New York, New York: New York State Society of Certified Public Accountants, October 1977), pp. 83-85 (with Raymond J. Clay, Jr.).

"FASB Update: SFAS 15 & 16," Texas CPA (Dallas, Texas: Texas Society of CPAs, September 1977), pp. 12-17 (with M. Herschel Mann).

"A Practitioner's Guide to Accounting for Leases," Journal of Accountancy (New York, New York: The American Institute of Certified Public Accountants, August 1977), pp. 61-68 (with Raymond J. Clay, Jr.).

"Planning for the Audit: Logical Steps Toward Cost Containment," Financial Executive (New York, New York: Financial Executives Institute, May 1977), pp. 46-50 (with Cindy H. Nance).

"Independence and the Governmental Auditor," Governmental Finance (Chicago, Illinois: Municipal Finance Officers Association, February 1977), pp. 44-45.

"Revenue Recognition in Not-for-Profit Organizations," The CPA Journal (New York, New York: New York State Society of Certified Public Accountants, November 1976), pp. 9-15.

"Flexible Budgeting and Standard Costing: Keys to Effective Cost Control," Government Accountants Journal (Arlington, Virginia: Association of Government Accountants, Fall 1976), pp. 24-32 (with Robert W. Ingram).

"Working Capital Analysis: Limitations of a Valuable Tool," Banking (New York, New York: American Bankers Association, September 1976), pp. 8-11 (with Jan R. Williams).

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"Administrators Favor Prospective Reimbursement," Hospital Progress (St. Louis, Missouri: The Catholic Hospital Association, June 1976), pp. 71-74.

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"Proper Procedures, Yes: Inflexible Rules, No," Texas CPA (Dallas, Texas: Texas Society of CPAs, September 1975), p. 6.

3. Monographs

Improving Business Reporting - A Customer Focus (New York: AICPA, 1994) pp. 202 (Special Committee on Financial Reporting, 1994).

The Information Needs of Investors and Creditors (New York: AICPA, 1993) pp. 16 (Special Committee on Financial Reporting, 1992).

Reducing the Incidence of Fraudulent Financial Reporting: The Role of the Securities and Exchange Commission (Los Angeles, CA: SEC and Financial Reporting Institute, 1988), pp. 130 (with Karen Pincus and Theodore J. Mock).

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The Nonbusiness Organization Reporting Entity: An Exploratory Study of Current Practice (New Millford, Cn. Philanthropy Monthly, 1986), pp. 100.

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4. Case Study

Enron: A Professional's Guide to the Events, Ethical Issues, and Proposed Reforms, (N.Y.: CCH, Arthur L. Berkowitz) pp. 56 and 61.

Pacific Electronics (Boston, Massachusetts: Intercollegiate Case Clearing House, 1981) p. 19.

5. News and Commentary

"Accounting Group Expected to Call for Increase in Data in Annual Reports", The Wall Street Journal (New York: Dow Jones, pp. 1,3) August 26, 1993.

"Passing the Buck," Outlook (Palo Alto, CA: California Society of CPAs, Spring 1988) p. 56.

"Providing Guidance for the Professional's Future Status," Outlook (Palo Alto, CA: California Society of CPAs, Spring 1987) pp. 56-58.

"Pension Accounting Deficiencies," Los Angeles Business Journal (Los Angeles: Scripps-Howard, August 20, 1984), p. 5.

6. Journal Articles and Books Reprinted and Reviewed

Intermediate Accounting, reviewed in Issues in Accounting Education (Sarasota, FL: American Accounting Association, Fall 1988), pp. 457-458.

Guide to Audits of Local Governments, reviewed in the Journal of Accountancy (New York: American Institute of CPAs, February 1987), pp. 118-120.

Guide to Audits of Local Governments, reviewed in Government Finance Review (Chicago, Ill.: Governmental Finance Officers Association, February 1987), p. 38.

Impact of Statement 52 on Decisions, Financial Reports, and Attitudes, reviewed in the Journal of Accountancy (New York: American Institute of CPAs, November 1986), pp. 186.

Intermediate Accounting, reviewed in The Accounting Review (Sarasota, Florida: American Accounting Association, April 1986), pp. 360-362.

"Flexible Budgeting and Standard Costing: Keys to Effective Cost Control," reprinted from Government Accountants Journal (Fall 1976); reprinted in Government and Nonprofit Accounting, Leonard Berry and Gordon Harwood (ed.) (Homewood, Illinois: Richard D. Irwin, Inc.) pp. 228-241 (with Rob Ingram).

"Cost Accounting in Local Governments: An Idea Whose Time has Come," reprinted from Management Focus (May-June 1982); reprinted in The Journal of Accountancy (New York: American Institute of CPAs, March 1983), pp. 103-104.

"Cost Accounting in Local Governments: An Idea Whose Time has Come," reprinted from Management Focus (May-June 1982); reprinted in Management Review (New York: American Management Association, January 1983), pp. 29-30.

"Better Cost Control with Flexible Budgets and Variance Analysis," reprinted from Hospital Financial Management; reprinted in Readings in Management Control in Nonprofit Organizations, Karasseu v. Ramarathan, and Larry Heystad (ed.) (New York: John Wiley & Sons, Inc.) 1982, pp. 355-363.

"Revenue Recognition in Not-for-Profit Organizations," reprinted from The CPA Journal; reprinted in Accounting in the Public Sector: The Changing Environment (Salt Lake City, Utah: Brighton Publishing Company, 1979), pp. 27-34.

"Flexible Budgeting and Standard Costing: Keys to Effective Cost Control," reprinted from The Government Accountants Journal; reprinted in Accounting in the Public Sector: The Changing Environment (Salt Lake City, Utah: Brighton Publishing Company, 1979), pp. 364-375 (with Rob Ingram).

"A Practitioner's Guide to Accounting for Leases," reprinted from The Journal of Accountancy; reprinted in Continuing Professional Education for Staff Accountants (Littleton, Colorado: CPE Institute, Inc., 1979).

"The Evaluation of Internal Control: A Suggested Approach," reprinted from Hospital Financial Management; reprinted in Controlling the Hospitals Operations (Chicago, Illinois, Hospital Financial Management Association, November 1978).

"A Practitioner's Guide to Accounting for Leases," reprinted from the Journal of Accountancy; reprinted in FASB/APB Review (New York, New York: American Institute of CPAs), May 1978.

"A Practitioner's Guide to Accounting for Leases," reprinted from The Journal of Accountancy; reprinted in Accounting Theory: Text and Readings (New York, New York: Wiley/Hamilton Company, 1978), pp. 349-359.

"A Practitioner's Guide to Accounting for Leases," reprinted from The Journal of Accountancy; reprinted in Motor Freight Controller (Washington, D.C.: American Trucking Association, Inc., November 1977), pp. 10-16.

"A Practitioner's Guide to Accounting for Leases," reprinted from The Journal of Accountancy; reprinted in New Guides for the Professional Accountant (New York, New York: American Institute of CPAs, September 1977), pp. 5-12.

"Better Cost Control with Flexible Budgets and Variance Analysis," reprinted from Hospital Financial Management; reprinted in Readings in Governmental and Nonprofit Accounting (Belmont, California: Wadsworth Publishing Company, 1977), pp. 320-335.

"Planning for the Audit: Logical Steps Toward Cost Containment," reviewed from Financial Executive; reviewed in The Journal of Accountancy (New York, New York: American Institute of CPAs, December 1977), pp. 82.

"Revenue Recognition in Not-for-Profit Organizations," reviewed from The CPA Journal; reviewed in Accounting Articles Digest (New York, New York: American Institute of CPAs, February 1977).

7. Reviews of Other Works

Robert W. Anthony, "Games Government Accountants Play," Harvard Business Review (Cambridge, MA: Harvard University, September-October 1985); reviewed Harvard Business Review (Cambridge, MA: Harvard University, November-December 1985) pp. 211-218.

Tracy D. Conners, The Nonprofit Organization Handbook (New York: McGraw-Hill Book Company, Inc., 1980); reviewed in The Accounting Review (Sarasota, Florida: American Accounting Association, October 1980), pp. 693-695.

8. Selected Continuing Professional Education Courses Published

Accounting date and Auditing Update, 28th ed. (Dallas, Texas, Texas Society of Certified Public Accountants), April 2002 (with R. J. Clay, M. H. Mann). The course has been adopted by the California, Texas, Alabama, Colorado, Illinois, New Mexico, Montana, and Idaho Societies of CPAs as well as many firms and companies.

Analytical Procedures (New York: American Institute of Certified Public Accountants) 1997 (with Carolyn S. Holder).

Governmental Accounting and Auditing Update (New York: American Institute of Certified Public Accountants) 1996 (with Douglas R. Carmichael).

Audits of Local Government Units (New York: American Institute of Certified Public Accountants) 1996 (with Douglas R. Carmichael).

Developing and Presenting Effective Proposals for Engagements of Non-Public Entities (New York: American Institute of Certified Public Accountants) 1984 (with Ray Whittington).

Accounting and Auditing Standards Refresher, 7th ed. (Auburn, AL: CPE Associates) April 1991 (a two day continuing professional educational course, with Wayne Alderman).

Accounting for Leases, 11th ed. (Auburn, AL: CPE Associates), April 1987 (a one-day continuing professional education course, with Raymond J. Clay, Professor of Accounting, North Texas State University).

Audits of Hospitals (New York: American Institute of Certified Public Accountants), December 1977 (4-hour self-study continuing professional education course prepared at the request of the AICPA, with Larry Anderson, CPA, partner, Mason, Nickels, and Warner).

Local Government Financial Accounting and Reporting (Sacramento, California, California Society of Municipal Finance Officers), September 1981.

IV. Professional Service

A. Principal Professional Service & Consulting Activities

1. Professional Organizations

a. Offices Held

American Institute of CPAs

Member, Board of Directors, 1998-2000

Member, Council, 1986-1989, 1995-2000

Governmental Accounting Standards Board

Member, July 1, 2000-present

Los Angeles Society of CPAs

Member, Board of Directors, 1984-86

Vice President, 1987-1989

American Accounting Association

Chairman, Public Sector Section, 1980-81

National Association of Accountants (Lubbock, Texas Chapter)

President, 1977-78

b. Committee Assignments

American Institute of CPAs

Board of Examiners 1993-1996, 1998-present

Chairman, Computerization Implementation Committee, 1997-2002

Accounting Career Development Executive Committee, 1996-1998

Special Committee on Financial Reporting, 1991-1994

Nominating Committee 1992-1993

Relations with the Judiciary Committee 1992-1994

Accounting Standards Executive Committee, 1987-1990

State and Local Government Committee, 1981-1985

(Served as Senior Technical Editor of the Industry Audit Guide, published in 1986.)

Compliance Auditing Task Force, Auditing Standards Board, 1986-1989

California Society of CPAs

Chairman, Professional Conduct Committee 1987-89

Governmental Relations Committee 1991-1997

American Accounting Association

Assurance Services Task Force, 1995-present

Chair, Financial Reporting Research Committee, 1989-1991

Financial Accounting Standards Committee 1987-89

Federation of Schools of Accountancy

Financial Accounting Restructure Committee 1989

c. Memberships in Professional Organizations

American Accounting Association

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

2. Other Professional Service Activities

a. Advisory and Research

Congressional testimony (invited): Corporate Accounting Practices, before the Congressional Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises; Committee on Financial Services; May 1, 2002.

National Commission on Fraudulent Financial Reporting - commissioned to conduct research with Ted Mock and Karen Pincus.

Financial Executives Institute

Commissioned to conduct research with Jerry Arnold and prepare a monograph on the effects of foreign commerce on financial reports of U.S. companies. See Section III, B, 1.

Financial Accounting Standards Board

Commissioned to conduct research and prepare a research report concerning the appropriate conceptual reporting entity for nonbusiness organizations. Served on FASB Task Force on the Objectives of Financial Reporting by Nonbusiness Organizations, June 1980-1986.

League of California Cities

Commissioned to conduct research and prepare a monograph suggesting concepts, standards, and procedures for cost of services reporting by California cities.

National Council on Governmental Accounting

Commissioned to research and prepare a study suggesting a conceptual framework for financial accounting and reporting by governmental units.

Municipal Finance Officers Association

Appointed as a member of Special Review Committee for purposes of judging Municipal Annual Financial Reports in the Certificate of Conformance Program.

b. Editorial positions

Member, editorial board, Research in Governmental and Non-Profit Accounting, JAI Press, Inc.

Member, editorial review board, Issues in Accounting Education, American Accounting Association.

Member, editorial board, Auditing: A Journal of Theory and Practice

c. Educational Consulting

Developed and presented Continuing Professional Education courses for many CPA firms, industrial and manufacturing companies, and public sector organizations.

B. Honors

1. Fellowship
 - a. Haskins & Sells Foundation Faculty Assistance Award, received 1973, University of Oklahoma.
2. Honorary Societies (memberships)
 - a. Beta Alpha Psi
 - b. Beta Gamma Sigma
 - c. MENSA
 - d. Outstanding Young Men of America

V. Institutional Service

A. Recent Institutional Service

1. University
 - Elected to the Faculty Senate
 - University Administration Subcommittee for Evaluation of Administrative Costs and Structures
 - Served on the Faculty Tenure and Appeals committee
2. School of Business Administration
 - Served on the Masters Advisory committee
3. School of Accounting
 - Chair of the curriculum committee
 - Director of the Master of Accounting Program
 - Member of Personnel committee
 - Member of Academic Standards committee
 - Member of Awards committee